

27 August 1957

THRU : AD/RR  
: Chief, E  
: Chief, D/S  
: Chief, S/OM

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I am attaching [REDACTED] suggestions and would like to add some remarks of my own:

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In view of the spreading usage to characterize the present reorganization of the economic administration in the USSR and other Bloc countries as "decentralization", it is gratifying that the report emphasizes at the outset that the Soviet leaders do not regard it as a decentralizing measure. It is, in my opinion, not an attempt to change the basic system but rather an effort to minimize defects discovered in the many years of its operation in order to remove obstacles to the desired improvements in production and other phases of basic policy. Whether and what role strategic considerations have played in the preparation of the program is not known. But it appears, indeed, unlikely that it could ensure uninterrupted functioning of the national economy in the event of a war.

The reorganization, in my opinion, does get to grips with the basic problems of the Soviet economy as seen by the Russian policy makers, though not as seen by perhaps the majority of western students of the subject. The Soviet rulers believe that their economic (and political) system can be improved to such an extent that it will, eventually, operate even more efficiently than other systems. The report, following widely held western opinion, considers this impossible, especially because the Russian economy is held together by arbitrary decisions of planners rather than market factors. The view that the decisions of the planners are made in an arbitrary manner, i.e., through unreasoned will or caprice, can, however, not be accepted. It is believed that they are based on careful political and economic considerations including Russian market factors to the extent considered appropriate.

The strong doubt, expressed in the report, that the reorganization could bring the achievement of Krushchev's objectives appears to be based largely on the conviction that only a change to a liberal economic system could have this result. It would, however, be difficult to pass, at this time, final judgment whether this is really so, especially in view of the

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unprecedented progress of the Russian economy even under the rather defective old system and most trying conditions.

Whether the measures provided by the program will or will not improve the existing, basic system to the greatest possible extent, is a different question. The report holds that they may result in a number of important improvements but that these improvements will not be great enough to fulfill all the hopes pinned upon them. This may, indeed, be so. It should, however, not be overlooked that the Russian leaders, at least since Stalin's death, have been prudent enough to try to operate their system on a more or less experimental basis and have been willing to introduce changes when this has been considered desirable. Accordingly, other reorganizations may be undertaken if and when it becomes clear that the measures taken at present are not effective enough to achieve the ultimate objectives of the Russian leaders.

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